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Before entering television news in 1983, Madrick was finance editor and a by-lined columnist for *Business Week Magazine*, where he won a Page One Award, among others. Prior to that, he was a staff writer and columnist for *Money Magazine*. He has also had business experience as a Wall Street financial consultant and an executive for Columbia Pictures.

In addition to *The End of Affluence*, Madrick is the author of a text book on municipal finance published by the Public Securities Association as well as *Taking America*, a history of hostile corporate takeovers, published by Bantam, that *Business Week* named one of the ten best business books of 1987. Madrick has written for such publications as the Op-Ed page and the Sunday Business section of the *New York Times*, *The Washington Post*, *The Los Angeles Times*, *The American Prospect*, *New York Observer*, *Newsday*, *M Inc.*, and *Institutional Investor*, and such academic journals as *Responsive Community* and *Feminist Economics*.

Madrick graduated as salutatorian from New York University, with a B.S. in 1969, and from Harvard Business School with an MBA in 1971. He is a member of the economics honor society, Beta Gamma Sigma. He has one daughter, a recent graduate of Wellesley College, and resides in New York City.

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What follows is a **précis** of my testimony to be delivered to the U.S. Trade Deficit Commission.

First, I subscribe to the view that the international debt created by a growing current account imbalance is both costly and ultimately dangerous. There is no theory that can tell us just when such a debt overhang may result in a loss of confidence in American markets. But the danger is already significant. A slowdown in the U.S. economy may well precipitate a run on the dollar and turn the present virtuous circles of high stock prices, low inflation, and a high dollar into a vicious circle with the opposite consequences.

Second, the overvalued U.S. dollar, high real interest rates, and a trade deficit result in misallocation of resources that is rarely discussed. These factors lead to under investment in key areas that in turn retards productivity growth. The artificially high dollar creates a prohibitive price for developing new export industries. High real interest rates in general reduce investment. In the current economic boom, such consequences are unfortunately disguised.

Third, **all** else equal, it is better to buy goods at home than overseas. This point is not negated by the doctrinaire claims that a trade deficit merely assures that we import sufficient capital for our productive needs. Such conclusions are the results of oversimplified accounting identities that are misleading. Americans have a strong tendency to **buy** more goods **from** abroad than foreign consumers **buy from** America. This is not, no matter how one rationalizes it, good for the U.S., although at certain key times it has been good for the rest of the world.

In sum, the equanimity with which an ever-rising trade deficit is now greeted is increasingly alarming. Nothing is quite so delicate as trying to reduce the value of the U.S. dollar, but we may well be facing such a necessity. High levels of financial speculation in American financial markets also contribute to the high dollar and rising trade deficit. A blithe attitude towards encouraging export industries is also a factor. Good times are disguising future potential problems. Addressing them now, and broadening discussion about potential remedies, should be seriously encouraged.